IN VCEPS Stakeholder Meeting with
<u>INDIANA ENERGY ASSOCIATION (IEA) – July 28, 2011</u>

See handout from IEA – Agenda.

Legislative intent:

- Industry was seeking bill re: federally mandated costs.
- Indiana legislature wanted to make a declaration regarding nuclear power; after the crisis in Japan, it was narrowed.
- Indiana needed something re: clean energy, but not a mandatory standard, so legislation was patterned after Virginia's voluntary program.
- Industry did not advance clean energy portfolio standard.
- After testimony regarding the cost of wind, the cost containment provisions were added.

Observations:

1) No expectation (or no high expectation) of full participation.
2) Voluntary.
3) Designed to incent, not to penalize.
4) If want participation, keep rules simple and brief.
5) Not like net metering (which was punted by the legislature to the IURC to determine the details); under Ind. Code 8-1-37, IURC has narrower framework within which to do rules.

IURC: Regarding existing resources vs. new resources, please give specifics. If the goal is to have all utilities participate, then we need to develop a program that incents that. If no utility participation, legislature is likely to revisit, so utilities and stakeholders might as well work on it.

All electric utilities are doing something regarding renewables.

IURC Question: The IURC would like to see that development and reporting on that. What resources count?

Under Section 4, there are only 2 instances in which dates are given. This shows that legislature knew how to set dates regarding eligibility of resources if that was their intent. This means that current efforts should be counted under the CEPS.

IURC Question: Please be specific in comments regarding statutory rationale. Does the IURC have discretion to grant incentives to new resources and have existing resources just count toward goal?

Yes, the IURC can grant incentives for newer resources or for specific resources. It is possible to have existing resources just meet goals, but not get incentives.

However, it is also within IURC discretion to award first movers.

IURC should balance the need for clarity in the rule versus boxing itself in.

IURC Question: When should the IURC be deciding on the incentive?

During the program application phase, as the utility needs to know the target up front.

IURC Question: When should the incentive be awarded?

Regarding the return on equity (ROE), it might be okay to wait until hit goals to receive. However, revenues and costs should be tracked through the periodic rate adjustment mechanism (PRAM) from the beginning. The IURC could also grant performance incentives.

The IURC needs to balance flexibility vs. certainty. The incentive determination should be part of the program application process, not specifically defined in the rule.

IURC Question: What do you mean when you say incentive? Are you referring to the ROE and lost revenues or are you referring to the PRAM?

Incentive refers to the ROE adder and the recovery of lost revenues, not to the PRAM.

Regarding timing, the phases are distinct.

IURC: Program approval and incentives will likely be determined on a case-by-case basis, as not every possible circumstance can be placed in the rule.

IURC Question: Will the proceeding be docketed? Two applications? Two phases? What is the relationship between the program approval process, the incentive approval process and the relationship with CPCN, IRP, and other IURC processes?

IN VCEPS program does not replace the CPCN process.

The application process should be docketed, with the utility providing a plan for the IURC to approve, including projects still subject to the CPCN review.

The IURC has the discretion to look at various scenarios.

The rulemaking should not re-do the existing body of law.

IURC Question: What specifically of the current processes can we use?

IURC Question: How do we protect the ratepayer regarding cost recovery under different statutes? Through what process?

Whether there is cost recovery through other processes would be in the calculation of the factors under consideration. It would be prudent to list that in the application.

IURC Question: Should the incentive apply to the clean energy credits?

Is there any need to explain how to calculate the goal percentage?

IURC Question: The CPS goal is an average over a number of years. What happens if a utility joins the program in the midst of a goal period.

Average is used because there is a need to ramp up.

Cost recovery does not depend on whether the utility meets the goal. Getting the incentive depends on whether the utility gets the incentive. If a utility could lose cost recovery, that would kill participation.

The statute requires the setting of a deadline, but deadline should not be too early.

If a utility waits to apply, it still must meet the goal.

Continuation of the PRAM depends on meeting the goal.

The discrete points in time for testing compliance are the end points of each goal period.

The IURC has the discretion to set a slope in the design of the incentive.

IURC Question: Outside of the incentive, are there benefits to the utilities for participation in the IN VCEPS?

IURC Question: What factors should the IURC use or what factors may it use in consideration of program approval and the granting of incentives?

IEA will think about and comment.

IURC Question: Would there be some benefit to having at least some of the inputs into the scenario planning and modeling agreed upon ahead of time?

The utilities need to do the planning, but the utilities do not want to debate IRP for 6 months.

IURC: We need to make a finding in the application process. Also, there is an off ramp if costs become too high. In addition, there is another time for discussion and input at the time a CPCN is filed for a specific project. One option is to have a more general finding up front and then have more specific findings when CPCN request is filed.

IURC: We will likely need to have the cost argument up front.

What the IURC is approving is a plan to get to the 2025 goal. The plan can be adjusted.

The IEA is planning on submitting written comments by the August 15th initial deadline for comments relating to rule development.